



6351-01-P

COMMODITY FUTURES TRADING COMMISSION

Agency Information Collection Activities under OMB Review

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice.

SUMMARY: In compliance with the Paperwork Reduction Act of 1995 (“PRA”), this notice announces that the Information Collection Request (“ICR”) abstracted below has been forwarded to the Office of Management and Budget (“OMB”) for review and comment. The ICR describes the nature of the information collection and its expected costs and burdens.

DATES: Comments must be submitted on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: Comments regarding the burden estimate or any other aspect of the information collection, including suggestions for reducing the burden, may be submitted directly to the Office of Information and Regulatory Affairs (“OIRA”) in OMB within 30 days of the publication of this notice, by either of the following methods. Please identify the comments by “OMB Control No. 3038-0094.”

- By email addressed to: *OIRA_submissions@omb.eop.gov* or
- By mail addressed to: The Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for the Commodity Futures Trading Commission, 725 17th Street NW, Washington, DC 20503.

A copy of all comments submitted to OIRA should be sent to the Commodity Futures Trading Commission (“CFTC” or “Commission”) by any of the following

methods. The copies sent to the Commission also should refer to “OMB Control No. 3038-0094.”

- By mail addressed to: Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581;
- By Hand Delivery/Courier to the same address; or
- Through the Commission’s website at <http://comments.cftc.gov>. Please follow the instructions for submitting comments through the website.

A copy of the supporting statement for the collection of information discussed herein may be obtained by visiting <http://RegInfo.gov>.

All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to <http://www.cftc.gov>. You should submit only information that you wish to make available publicly. If you wish the Commission to consider information that you believe is exempt from disclosure under the Freedom of Information Act, a petition for confidential information of the exempt information may be submitted according to the procedures established in § 145.9 of the Commission’s regulations.¹ The Commission reserves the right, but shall have no obligation to review, pre-screen, filter, redact, refuse or remove any or all of your submission from <http://www.cftc.gov> that it may deem to be inappropriate for publication, such as obscene language. All submissions that have been redacted or removed that contain comments on the merits of the ICR will be retained in the public comment file

¹ 17 CFR 145.9.

and will be considered as required under the Administrative Procedure Act and other applicable laws, and may be accessible under the Freedom of Information Act.

FOR FURTHER INFORMATION CONTACT: Jocelyn Partridge, Special Counsel, Division of Clearing and Risk, Commodity Futures Trading Commission, (202) 418-5926; email: jpartridge@cftc.gov.

SUPPLEMENTARY INFORMATION:

Title: Clearing Member Risk Management (OMB Control No. 3038-0094). This is a request for extension of a currently approved information collection.

Abstract: Section 3(b) of the Commodity Exchange Act (“Act” or “CEA”) provides that one of the purposes of the Act is to ensure the financial integrity of all transactions subject to the Act and to avoid systemic risk. Section 8a(5) authorizes the Commission to promulgate such regulations that it believes are reasonably necessary to effectuate any of the provisions or to accomplish any of the purposes of the Act. Risk management systems are critical to the avoidance of systemic risks.

Section 4s(j)(2) requires each Swap Dealer (“SD”) and Major Swap Participant (“MSP”) to have risk management systems adequate for managing its business. Section 4s(j)(4) requires each SD and MSP to have internal systems and procedures to perform any of the functions set forth in Section 4s.

Section 4d requires FCMs to register with the Commodity Futures Trading Commission (“Commission”). It further requires Futures Commission Merchants (“FCMs”) to segregate customer funds. Section 4f requires FCMs to maintain certain levels of capital. Section 4g establishes reporting and recordkeeping requirements for FCMs.

Pursuant to these provisions, the Commission adopted § 1.73 which applies to clearing members that are FCMs and § 23.609 which applies to clearing members that are SDs or MSPs. These provisions require these clearing members to have procedures to limit the financial risks they incur as a result of clearing trades and liquid resources to meet the obligations that arise. The regulations require clearing members to: (1) establish credit and market risk-based limits based on position size, order size, margin requirements, or similar factors; (2) use automated means to screen orders for compliance with the risk-based limits; (3) monitor for adherence to the risk-based limits intra-day and overnight; (4) conduct stress tests of all positions in the proprietary account and all positions in any customer account that could pose material risk to the futures commission merchant at least once per week; (5) evaluate its ability to meet initial margin requirements at least once per week; (6) evaluate its ability to meet variation margin requirements in cash at least once per week; (7) evaluate its ability to liquidate the positions it clears in an orderly manner, and estimate the cost of the liquidation at least once per month; and (8) test all lines of credit at least once per quarter.

Each of these items has been observed by Commission staff as an element of an existing sound risk management program at an SD, MSP, or FCM. The Commission regulations require each clearing member to establish written procedures to comply with this regulation and to keep records documenting its compliance. The information collection obligations imposed by the regulations are necessary to implement certain provisions of the CEA, including ensuring that registrants exercise effective risk management and for the efficient operation of trading venues among SDs, MSPs, and FCMs.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.² On November 14, 2018, the Commission published in the *Federal Register* notice of the proposed extension of this information collection and provided 60 days for public comment on the proposed extension, 83 FR 56828 (“60-Day Notice”). The Commission did not receive any relevant comments. Accordingly, it did not alter the burden estimates set forth in the 60-Day Notice.

Burden Statement: The respondent burden for this collection is estimated to average 2 hours per response for an estimated annual burden of 504 hours per respondent. This estimate includes the total time, effort, or financial resources expended by persons to generate, maintain, retain, disclose, or provide information to or for a federal agency.

Respondents/Affected Entities: Clearing member Swap Dealers, Major Swap Participants, and Futures Commission Merchants.

Estimated Number of Respondents: 166 (101 Clearing Member Swap Dealers and 65 Clearing Member Futures Commission Merchants).

Estimated Average Burden Hours Per Respondent: 504.

Estimated Total Annual Burden Hours: 83,664 hours.

Frequency of Collection: As needed.

There are no capital costs or operating and maintenance costs associated with this collection.

² The OMB control numbers for the CFTC’s regulations were published on December 30, 1981. *See* 46 FR 63035 (Dec. 30, 1981).

(Authority: 44 U.S.C. 3501 *et seq.*)

Dated: April 9, 2019.

Robert Sidman,

Deputy Secretary of the Commission.

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